ROBB EVANS & ASSOCIATES LLC
Receiver of
The Assets of Kevin Trudeau, the Trudeau Entities, et al.

REPORT OF RECEIVER'S ACTIVITIES
August 7, 2013 through September 5, 2013

This report covers the activities of the Receiver[1] since the inception of the receivership. This is the first Report to the Court. It does not constitute an audit of financial condition and is intended only to provide information for use by the Court in assessing the progress of the receivership.

Introduction

There are a few overarching issues in this matter that are summarized as follows:

Are there any assets hidden offshore?

The Receiver is aware that many offshore entities have been formed, many of which are purportedly controlled by Kevin Trudeau's wife. As will be detailed in this report, there are serious questions about some of the accounting entries and accuracy of the accounting for some of the Trudeau Entities. This does not necessarily mean there are hidden assets, but it also does not mean there are not. It will take the Receiver additional time to investigate some of these matters. Also, significant transactions were processed in 2013 through Global Information Network (GIN Foundation) in the United Kingdom. Some of those funds were returned to fund overhead and some of those funds were used to pay commissions. The Receiver is in the process of obtaining further details about the final destination of any funds not used for overhead of commissions.

Is the Global Information Network a legal multi-level marketing program?

This report contains a detailed analysis of the commissions paid to the members. While the multi-level marketing program does not provide for the sale of any product, and that on its surface may be problematic, the Receiver needs additional time to evaluate this question.

[1] Reference to the Receiver in this report means the Receiver's deputies, its staff, and its counsel.

Can the Global Information Network multi-level marketing program be operated profitably?

The Receiver has concerns about the viability of operations. There is significant pre-receivership debt and commitments totaling at least $6.80 million. This debt is not recorded in the accounting records of any of the entities. The credit card processing reserves have increased to 25% of current volume and the prior processor has stopped monthly distributions of available reserves. In addition, the Receiver has precluded Kevin Trudeau (Trudeau) from speaking at any upcoming events. This could have a negative impact on revenue.

To what extent has Kevin Trudeau been cooperating with the Receiver?

The Receiver has had continuing contact with Trudeau since the inception of the receivership. While Trudeau has nominally replied to specific requests that the Receiver has directed to Trudeau, the Receiver is not yet in a position to judge whether Trudeau's responses and cooperation have been as full and as complete as contemplated in the Court's order. If at any time the Receiver discovers evidence that Trudeau is directly interfering with the Receiver's activities or failing to provide complete and candid answers, the Receiver will immediately bring such evidence to the Court's attention via a supplemental report. On this score, the Receiver notes that Trudeau has various affirmative obligations under the Court's August 7, 2013 Order to provide without prompting from the Receiver information regarding the existence of all his Assets or Assets belonging to Trudeau Entities, including those held in name of another. The Receiver will likewise immediately notify the Court if it discovers evidence that Trudeau has failed to comply with those obligations.

Is the Receivership serving consumers' interests?

It is premature to determine the extent that the receivership is serving consumers' interest. The Receiver is evaluating strategies to produce revenue which would serve in partial payment of the Federal Trade Commission's judgment.

Control of Businesses

On August 7, 2013 the Receiver took control of company operations located in Westmont, Ill. The Receiver met with the company's senior management and provided the managers a copy of this Court's Order Appointing a Receiver and Implementing Ancillary Relief (Order). Electronic key access to the facility was changed.

The Receiver was informed that the current payroll needed to be authorized so that payment could be made on August 9, 2013. The Receiver authorized the payroll payment with the following two exceptions:

Natalia Babenko

Ms. Babenko is Trudeau's wife. Her annual salary was $200,000. Ms. Babenko did not maintain an office at the facility and did not appear to perform any duties for the business. Management informed the Receiver that she was rarely at the premises. Rather, the Receiver understands that Ms. Babenko is a graduate student at New York University.

Saneil Sant

Mr. Sant was the former President of Website Solutions USA Inc. (Website Solutions). In April 2013, Website Solutions and Mr. Sant entered into a severance arrangement where Mr. Sant would be paid $700,000 over two years. This amount was being paid in installments through the company's payroll. The Receiver determined that these payments were a pre-receivership debt and could not be authorized pursuant to section V. paragraph 7 of the Order.

Company management informed the Receiver that they believed Website Solutions was overstaffed and significant savings could be achieved by laying off four employees. The Receiver authorized these layoffs resulting in an annual savings of approximately $623,000.

Subsequently, the Receiver decided to lay off two additional employees resulting in additional annual savings of approximately $155,000.

Actions and Decisions with Kevin Trudeau and the Trudeau Entities

From August 7, 2013, the date the Court appointed the Receiver, the Receiver has completed several actions and made several decisions about Trudeau's activities and involvement with the receivership entities and about his personal assets and access to income. On August 8, 2013 the Receiver first met with Trudeau, reviewed the Court's Order with him, and discussed topics and issues which are briefly summarized below.

Since that date, the Receiver has taken control of Website Solutions, the primary Chicago-based facility providing accounting, customer service, information technology and storage, and other operational activity. The Receiver has also attempted to exercise its control over all other known Trudeau entities. Below is a description of the communication with and the cooperation provided by the GIN Foundation managed by the Executive Director Lee Kenny and operating in the United Kingdom.

The Receiver carefully considered information that many members and affiliates consider Trudeau to be a positive influence in the GIN organization. The evaluation included

Trudeau's specific requests to speak without compensation at organized events and gatherings. However, the Receiver decided to remove Trudeau from all the receivership events. The Receiver then announced to the members, affiliates, and staff that it would not invite or allow Trudeau to speak at or participate in any events or activities of any of the receivership entities, including telephone conferences and all supervised or produced meetings training and other events.

The Receiver has also taken control of the vacant single family residence in Ojai California and the current efforts to sell it. However, the property, titled in the name of K. T. Corporation Limited, may have small remaining equity because of the $1.1 million deed of trust against it. The Receiver also inspected the 15,000 square-foot residence in Oak Brook Illinois rented by K. T. Radio Network, Inc. and occupied by Trudeau. On August 21, 2013, the Receiver exercised its option under the Court's Order to treat the Oak Brook Property as "Business Premises" by providing 14 days written notice to the relevant parties. The Receiver has declined to pay the September rent of $13,000.

The Receiver reviewed the initial request for monthly living allowances prepared by Trudeau for himself and his wife. The originally requested monthly amounts totaled $59,354. The Receiver prepared and approved a monthly expense allowance of $4,676 based on federal government guidelines for similar circumstances, and completed the first monthly distribution.

The Receiver has studied information about previous transactions between Trudeau and the Trudeau entities. The information includes details describing that Trudeau transferred the personal property in the Ojai residence to one of the Trudeau entities and that a Trudeau entity purchased much of the personal property in the Oak Brook residence. The Receiver is now completing the final details of ownership and resolution of the personal property.

The Receiver is not paying any of Trudeau's pre-receivership personal obligations and is carefully reviewing the pre-receivership obligations and claims of the Trudeau entities. A more complete description and analysis of the financial condition of the entities, including substantial liabilities not recorded in the accounting records, and details of current cash management, are discussed below.

GIN USA & GIN Foundation

The Receiver learned that the Global Information Network is a multi-level marketing program (MLM) that generated substantial revenue. In addition the Receiver was informed by management that the revenue stream averaging approximately $2,000,000 per month formerly generated by Global Information Network USA, Inc. (GIN USA) had been transferred to the GIN Foundation operating from the United Kingdom. The Receiver was

also informed by company management that Mr. Lee Kenny[2] was the Executive Director of the GIN Foundation.

On August 8, 2013 the Receiver met with Trudeau. Trudeau told the Receiver he did not know who is running the GIN Foundation. Under Exhibit 1 is an employment agreement between GIN Foundation and Lee Kenny. The agreement was executed on June 29, 2012 by Trudeau's wife, Nataliya Babenko. The Receiver does not find it credible that Ms. Babenko signed this document without the direction of Trudeau.

Under Exhibit 2 is a diagram that a member of company management provided to the Receiver showing the electronic flow of funds after a consumer's credit card is charged. The primary gateway for the credit card transactions is Exigo Office, Inc.(Exigo) which is located in the United States. Exigo, as the gateway, then routes the transactions to Optimal Payments PLC, (Optimal) a company headquartered in the Isle of Man, for processing. Optimal maintained a depository account for these funds at St. Kitts Bank in Nevis.

The Receiver served the Order on Exigo and on Optimal. Concurrently, the Receiver organized a United States based processor to take over the credit card processing so that all revenue would be deposited in a domestic bank account under the Receiver's control. On the night of August 16, 2013 all revenues from credit card processing were domesticated to the Receiver's account. Subsequent to this action, the Receiver was informed that Optimal had frozen approximately $1.2 million in a credit card reserve account and approximately $350 thousand in another account controlled by Optimal. Counsel for Optimal contacted the Receiver and the Receiver agreed the funds would be frozen for six months and the remaining funds, net of any chargebacks, would be turned over to the Receiver. Counsel for Optimal also agreed that his client would produce all credit card merchant statements to the Receiver. The Receiver is currently awaiting these documents.

After the migration of MLM revenue from GIN USA to the GIN Foundation, Mr. Kenny had been instructing the Website Solutions staff on a number of issues, including communications with the MLM members. The Receiver instructed the company's staff that they were no longer to take any instructions from Mr. Kenny. Further, the Receiver took steps to secure the consumer database so there could be no external access by Mr. Kenny's staff in the United Kingdom or by anyone else not authorized by the Receiver.

Mr. Kenny was on vacation during the early days of the receivership. Upon his return, he contacted the Receiver and pledged his cooperation in returning funds to the Receiver and in producing accounting records and bank documents to the Receiver. On September 5, 2013 Mr. Kenny wire transferred $262,116.42 to the Receiver's bank account. The Receiver is awaiting production of accounting records and bank documents. If Mr. Kenny decides not

[2] During an August 22, 2013 telephone call, Mr. Kenny informed the Receiver that he was a long-time friend of Trudeau.

to fully cooperate, the Receiver will take steps to seek recognition in the United Kingdom for the purpose of obtaining these records and any assets that may exist.

Financial Information

The Receiver obtained 34 QuickBooks accounting files of corporate entities from the Receivership Entities. The Receiver reviewed and analyzed all of the financial statements generated from the QuickBooks files. The QuickBooks records reveal there were a substantial number of inter-company transactions. A long time history existed in the business operations and entities affiliated with Trudeau, which appear to have commenced prior to 2003. A significant number of entities and affiliated companies appear to have been created for the purpose of selling various products, memberships, programs and operating the business affiliated with Trudeau.

Therefore, the following financial analysis is focused on the recent time periods from January 1, 2009 to the present.

Consolidated Financial Statements

The Affiliated Entities, which business operations were more active and generated substantial revenue after 2009 through current, are included in the consolidated financial statements. These entities include GIN USA, GIN Foundation, Website Solutions, Natural Cures Inc. (Natural Cures), KT Radio Network Inc. (KT Radio), and KT Corporation (KT Corp), Trustar Productions Inc. (Trustar Productions), Trudeau Approved Products Inc. (Trudeau Approved Products) and International Pool Tour Inc. (International Pool Tour), collectively referred as Trudeau Entities herein.

The Receiver has prepared and summarized the consolidated financial statements of these above entities based on the financial statements and records from the QuickBooks files. More details are discussed below.

Consolidated Balance Sheet

Under Exhibit 3 is the consolidated balance sheet of these above entities. The significant accounts will be discussed in detail below.

Checking/Savings

The balance of checking/savings account totaling $2.03 million shown on the consolidated statements is likely inaccurate due to the unavailability of 2013 accounting records of GIN Foundation maintained by offshore personnel.

The Receiver served the Order on all known financial institutions and merchant processors that were used by the corporate entities. The funds in the bank accounts as of August 7, 2013 were approximately $847,000 as confirmed by the banks.

A/R Optimal & Reserve Account – Optimal

A/R Optimal is used to record the merchant processing transactions. The books and records show a receivable balance of $905,872.53 under GIN Foundation, which was recorded only up to December 31, 2012. Company management advised the Receiver that all of the activities in 2013 from Optimal are recorded under GIN Foundation.

The Receiver downloaded the current Optimal report through August 18, 2013, and the processed transactions in Optimal are summarized below.

From January 1, 2013 to August 18, 2013

Transaction Type	Debit	Credit
Settlements		14,304,513.76
Settlement Reversal	1,050.00	
Chargebacks	87,182.19	
Chargeback Reversal		41,079.71
Credits	289,681.66	
Chargeback Fee	6,375.00	
Discount Fees	786,748.39	
Discount Fee Reversal		57.75
Transaction Fees	77,144.55	
Transaction Fee Reversal		2.45
Reversal Fee	1,190.00	
Monthly Flat Fee	245.00	
Reserve Account	1,430,451.46	2,116,839.63
WIRE Sent	14,332,886.78	
WIRE Fee	3,880.00	

The Optimal report shows $14.3 million of revenue was processed through August 2013, and $14.3 million was wired to GIN Foundation in the United Kingdom.

Reserve Account – Optimal

This reserve account is the reserve held by Optimal, which was 10% of the total amount processed. Due to unavailability of the most current accounting records of 2013 maintained

by offshore personnel, the balance of $1,879,230.75 recorded on the QuickBooks of GIN Foundation was only up to December 31, 2012.

Account Receivable

The accounts receivable totaling $4.13 million of Trudeau Entities is primarily the accounts receivable from International Pool Tour. The Receiver reviewed the account details in order to evaluate collectability of these receivables. According to the books and records of International Pool Tour, the accounts receivable of $4.11 million were all prior to December 31, 2008, of which $3.67 million were the receivables of Natural Cures, and there was no activity in these receivables since then. Trudeau told the Receiver that International Pool Tour is a defunct entity. Recovery of this $4.13 million receivable appears doubtful.

Inventory

The Consolidated Balance Sheet lists an inventory value of approximately $2 million held by a number of Trudeau entities. These inventories are the products and materials that Trudeau and his affiliates sold to the members and consumers. The Receiver has not yet determined the amount by which the inventory may be overstated or understated.

Investments

The Consolidated Balance Sheets show at least $265,000 of investment made by the Trudeau Entities. Based on the books and records, the amount of $150,000 and $100,000 were paid for the investment in Triumph Digital Media Advertising on May 20, 2010 and October 20, 2010, which were recorded under the books of Website Solutions and Trustar Productions, respectively. The Receiver is investigating these transactions.

Fixed Assets

The largest fixed asset existed on the books is the real estate property located at 601 Del Oro, Ojai, California. The accounting records show a book value of $840,000. Based on all of the information available to the Receiver, the net equity of this asset is not more than $100,000.

VC Loan

The remaining loan liability of $2,197,200 for VC Loan was recorded on the books of International Pool Tour. According to the books and records, the proceeds from the loans were recorded during 2006 for a total of $3.5 million with repayments from May 2007 through May 2012.

Due From & Due To

Under the consolidated balance sheet, the most significant accounts are "Due From" accounts in assets and "Due to" accounts in liabilities, respectively. The "Due to" and "Due from" accounts are inter-company accounts and used to record the transactions with affiliates, including Trudeau, Ms. Babenko and their affiliated entities. These accounts were recorded as gross amounts on the books, which resulted in the likely overstatement in the assets and liabilities on the books.

As shown on the consolidated statements, the "Due From" and "Due To" of the listed Trudeau Entities are reconciled. The remaining balance that is not reconciled is due to the balances with Trudeau and Ms. Babenko, as well as the un-listed entities on the consolidated statements. The Receiver's review and analysis on the QuickBooks accounting details shows that voluminous transactions were recorded, and certain journal entries/adjustments made to these inter-company accounts did not appear to be the real cash transactions among these affiliated entities and individuals. The Receiver is not able to determine and reconcile these inter-company transactions without further detailed analysis and verifications with other sources at this time.

Consolidated Profit & Loss

Under Exhibit 4 are the consolidated statements of profit and loss.

GIN Foundation was the primary operating entity receiving revenue from members during 2009 and 2010. Website Solutions was incorporated on March 18, 2010 in the state of Illinois, but was not active in operations until 2011. GIN USA was formed on June 28, 2011 and registered in the state of South Dakota.

Beginning in June 2011, GIN USA jointly processed membership transactions with GIN Foundation. In 2012, GIN USA replaced GIN Foundation and became the primary entity for the membership business during the year. GIN Foundation only received and recorded the membership revenue from December 12, 2012 to December 31, 2012. In 2013, the revenue shifted again and moved back to GIN Foundation. However, as previously discussed, the accounting records of GIN Foundation in 2013 are retained and maintained by Lee Kenny and his offshore personnel, which have not yet been made available to the Receiver.

In addition, Website Solutions became more active in operations starting in 2011, primarily in the expenses and operating disbursements, along with GIN USA and GIN Foundation.

Consequently, GIN Foundation and GIN USA were the primary entities for the membership business, including receiving membership revenues and commissions paid, from 2009 to the present while Website Solutions was primarily recording the operational expenses.

Under Exhibit 5 is the summary of the profit and loss of GIN Foundation and GIN USA by year based on the QuickBooks files. The profit and loss of Website Solutions by year generated from QuickBooks file is under Exhibit 6.

Revenue

GIN Foundation and GIN USA, collectively referred as GIN, generated more than $100 million of revenues from 2009 to current, which is primarily attributed to the membership revenue totaling $78.2 million and Inner Circle Member Fees totaling $19.5 million, which is also summarized below.

	FYE 2009	FYE 2010	FYE 2011		FYE 2012		From 2009 to 2012			
	GIN FND	GIN FND	GIN FND	GIN USA	GIN FND	GIN USA	GIN FND	GIN USA	Total	%
Membership Revenue										
Membership	$ 4,217,751	$ 16,517,579	$ 10,002,914	$ -	$ -	$ -	$ 30,738,244	$ -	$ 30,738,244	30.57%
Optimal Settlements	-	-	-	13,135,678	1,837,367	32,794,266	1,837,367	45,929,945	47,767,311	47.51%
Checks	-	-	-	216,092	-	841,339	-	1,057,431	1,057,431	1.05%
Chargebacks	(31,709)	(68,998)	(30,350)	(140,770)	(2,116)	(914,518)	(133,173)	(1,055,288)	(1,188,461)	-1.18%
Credits	(46,950)	(30,450)	(104,090)	0	(27,310)	0	(208,800)	0	(208,800)	-0.21%
	$ 4,139,092	$ 16,418,131	$ 9,868,475	$ 13,211,000	$ 1,807,941	$ 32,721,087	$ 32,233,638	$ 45,932,087	$ 78,165,726	77.74%
Other Revenue										
Inner Circle Fee - #1/ Inner Circle Member Fee	$ -	$ 5,350,000	$ -	$ 7,177,916	$ -	$ (200,000)	$ 5,350,000	$ 6,977,916	$ 12,327,916	12.26%
Registrations	-	-	-	2,185,270	-	4,977,587	-	7,162,856	7,162,856	7.12%
Commissions Sales - Netovative	-	-	-	350,735	-	1,564,356	-	1,915,090	1,915,090	1.90%
Royalties - Netovative	-	4,727	7,764	-	-	247,885	12,491	247,885	260,376	0.26%
Commission Sales	-	-	-	-	-	296,037	-	296,037	296,037	0.29%
Sales/Lead Sales	-	-	-	314,901	-	(3,889)	-	311,012	311,012	0.31%
Others	(2,400)	67,443	58,799	-	-	(12,011)	123,842	(12,011)	111,831	0.11%
Total Revenue	$ 4,136,692	$ 21,840,301	$ 9,935,037	$ 23,239,821	$ 1,807,941	$ 39,591,052	$ 37,719,971	$ 62,830,873	$ 100,550,844	100.00%

The Receiver also obtained many detailed reports, data downloads, and other information from the entity officers. Further analysis of these revenues was performed and discussed below.

Membership Revenue

The membership revenue represents 77.74% of GIN's total revenue as shown above. According to the official website of The Global Information Network at https://www.globalinformationnetwork.com/, there are 12 membership levels in Global Information Network program (GIN program). The Receiver was told that the valid membership levels in GIN program are only developed up to level 6 to date. Each level has different qualifications with the required initial fee ranging from $1,000 to $25,000 and monthly dues of $150.

The credit card charges for the membership revenue are processed via Exigo. The Receiver obtained an electronic file titled "gin_charges_to_date since 2009" from the company's management, which was downloaded from Exigo system for the period from July 29, 2009, the beginning of the Global Information Network program, to August 27, 2013. The Receiver compared and reconciled the membership revenue data to the GIN's books that are currently available to the Receiver, and certain variances were noted as shown under Exhibit 7.

The Receiver asked company management about these variances. The Receiver also reviewed and traced the daily settlements on Exigo report to the merchant statements, bank statements and the books. The Receiver learned that revenue recorded on the books was solely based on the merchant statements, and there were some timing differences of transaction recording between the Exigo report and the books. The Receiver was also told that the companies did not periodically reconcile the transaction settlements from Exigo report to the merchant statements. As the variances do not appear significant as compared to the entire population and was primarily due to the timing differences and certain adjustments on processing, the Receiver decided to rely on and to utilize the downloaded data from Exigo to perform further analysis.

The analysis performed by the Receiver shows that the membership revenue grew significantly from 2009 to 2012, in which monthly average ranged from $793,250.20 to $2,848,170.55 as shown below. In 2013, the monthly membership revenue started decreasing, particularly starting in February 2013. Although complete 2013 accounting records of the membership revenue is currently unavailable, the total membership revenue for 2013 is approximately $14.3 million according to the Exigo report, which is fairly close to the merchant report from Optimal, as previously discussed. The monthly membership revenue and the revenue trend based on the Exigo Report from 2009 to 2013 is summarized and shown under Exhibit 8.

Year	**Time Period**	**Amount**	**Monthly Average**	**Change %**
2009	7/28/09~12/31/09	$ 4,499,251.00	$ 793,250.20	
2010	1/1/10~12/31/10	$ 16,228,131.00	$ 1,352,344.25	70.48%
2011	1/1/11~12/31/11	$ 22,988,035.40	$ 1,915,669.62	41.66%
2012	1/1/12~12/31/12	$ 34,178,046.59	$ 2,848,170.55	48.68%
2013	1/1/13~8/27/13	$ 14,360,119.05	$ 1,861,044.94	-34.66%
Totals		$ 92,253,583.04		

Note: The Monthly Average is calculated based on the data that contains the full month only, which excludes the month of July 2009 and August 2013.

Furthermore, the Receiver compared the revenue received from the members to the commissions paid to the members as promised by the GIN program. Just three or four members earned commissions more than $100,000 per year. On average most members received commissions which were less than the initial fee for enrollment and their monthly dues of $150.

Year	Total Active Member	Commissions < $100,000 Active Member	Commissions < $100,000 Amount	Average Commissions	Initial Enrollment Fees Paid	Membership Dues Paid
2009	1,516	1,513	$ 145,235.00	$ 95.99	$1,000 to $25,000 depending on the level	$1,800
2010	4,228	4,224	$ 2,983,177.00	$ 706.24		
2011	17,645	17,641	$ 4,664,121.50	$ 264.39		
2012	32,123	32,119	$ 5,945,009.20	$ 185.09		
2013	35,938	35,935	$ 2,174,013.65	$ 60.50		

Greater details and related analysis performed as to commissions earned are discussed in a separate section below.

<u>Inner Circle Fee</u>

A total of approximately $12.3 million in Inner Circle Fees were received from 2009 to 2012, which represented 12.26% of the total revenue on GIN's books.

The Receiver was told that there was no formal written document about this program and that this program was mainly discussed at member events and meetings. The criteria of Inner Circle program is summarized as follows:

- 100 members will be accepted
- Initial fee of $50,000 in 2010 or $75,000 in 2011
- Comply with all the terms & conditions
- Will begin to receive 1% of 2% of gross monthly revenue (dues, initiation, upgrades) starting in Feb 2012[3]

[3] By way of example, if a month's gross revenue is $2 million, then 2% of that amount is $40 thousand. The Inner Circle member would then be entitled to 1% of $40 thousand or $400.00.

The First Inner Circle enrollment was in June 2010 at $50,000 per member and the second enrollment date was between July 2011 and December 2011 at $75,000 per member as shown below.

Program	Number of Members	Enrollment Fee	Total	Amount Recorded on Books (In 2010 & 2011)	
1st Inner Circle	107	$ 50,000	$ 5,350,000	$ 5,350,000	GIN Foundation
2nd Inner Circle	96	$ 75,000	$ 7,200,000	$ 7,177,916	GIN USA

Other Revenue

The Consolidated Profit & Loss shows Revenue from Sales of Trudeau Entities totaling $40.6 million from 2009 to the present. The majority of the sale revenue was generated from the sale of the products of Natural Cures approximately $36.3 million during the same period.

Registration revenue was $2,185,270 and $4,977,987 for 2011 and 2012, respectively, as recorded on GIN USA's books. This revenue was collected from all events that GIN put on in Bahamas, Las Vegas, etc.

Commission Sales Revenue/Commission Revenue were commissions received on third-party product sales. More than $6.8 million of commission revenue was earned by Trudeau Entities as recorded on the books from 2009 to current.

Costs of Revenue

The Consolidated Profit and Loss show a total of $37.2 million recorded in Cost of Revenue from 2009 to current. The primary components of Cost of Revenue are the commissions and bonuses paid to the members, which will be further discussed in the following section.

Commissions Paid to Members and Affiliates

Commissions paid to members and affiliates are recorded under GIN's books as Commissions – Monthly expense. The annual commissions earned by members and affiliates are as follows:

Year	GIN FDN	GIN USA	Total
2009	$ 1,718,028.31	$ -	$ 1,718,028.31
2010	$ 7,680,898.75	$ -	$ 7,680,898.75
2011	$ 3,129,427.77	$ 6,656,105.84	$ 9,785,533.61
2012	$ -	$ 7,122,905.77	$ 7,122,905.77
2013	Not Available	Not Available	Not Available
	$ 12,528,354.83	$ 13,779,011.61	$ 26,307,366.44

The Receiver obtained the commission data[4] from March 2009 to August 2013 from records maintained by the company management. The Receiver compared and reconciled the commission paid data to GIN's QuickBooks accounting records, and certain significant variances were noted in 2012 and 2013 under Exhibit 9. The Receiver asked the Chief Financial Officer and investigated the variances. The Receiver was told that a significant portion of commissions in 2012 earned by Trudeau, Ms. Babenko and Mr. Hamilton, the top three members, were not paid or accrued on the books. According to the commissions data download, the total commissions earned by these top members in 2012 were $4 million, of which approximately $3.3 million was not recorded on the books. Therefore, the large variance noted in 2012 is primarily due to the unrecorded commissions earned by these three top members. This variance did not impact the rest of the members.

In addition, the 2013 accounting records of GIN are currently not available to the Receiver, so the Receiver is unable to reconcile the commissions earned in 2013 to the books at this time.

Newly Enrolled Members by Year

The Receiver reviewed and analyzed the commission paid data for the newly enrolled members from 2009 to the present. As shown below, there were a total of 84,921 members and affiliates enrolled in GIN program from March 2009 to August 2013.

	2009	2010	2011	2012	2013	Total
Affiliate	3,510	6,597	23,842	9,728	5,269	48,946
Member	1,516	2,720	13,426	14,490	3,823	35,975
Total	5,026	9,317	37,268	24,218	9,092	84,921

[4] This data is maintained in a consumer database which is different from the QuickBooks accounting.

Analysis of Commissions

According to the GIN program, each member earns commissions based on the number of new members they recruit. A member receives a 20% commission of the enrollment fee and monthly membership dues paid by all the persons in the member's down line. Affiliates; however, can only receive a commission or percentage of the initial monthly membership due paid by all the persons in the down line. An affiliate is not required to pay an enrollment fee nor membership dues; however, for each member he/she recruits the affiliate receives 20% of the enrollment fee and 20% of the first month's dues.

Exhibit 10 is a schedule summarizing the number of active members and affiliates and the related commissions paid to them each year.

Affiliates' commissions paid from March 2009 to August 2013 were approximately $2 million or 6.33% of the total commission paid.

The following analysis is solely focused on the commissions paid to the members.

Stratification Analysis of Commissions Earned by Members

The Receiver further stratified the data and analyzed the structure of the commissions earned by members. Under Exhibit 11, the stratification analysis shows a significant concentration paid to the top levels and the vast majority of members earned very little. The analysis shows that an average of 94% of the members earned less than $100 per year. The table below shows more than 85% of members earned no commissions. In addition, more than 93% of the members received commissions less than $1,800 per year, the total monthly dues amount paid by each member to participate in the program.

Year	Active Members	Number of Members Earned No Commission		Number of Members Who Earned Commissions Less Than $1,800	
2009	1,516	1,361	89.78%	1,484	97.89%
2010	4,228	3,380	79.94%	3,943	93.26%
2011	17,645	15,143	85.82%	17,184	97.39%
2012	32,123	30,196	94.00%	31,684	98.63%
2013	35,938	34,988	97.36%	35,753	99.49%
Average	[redacted]	[redacted]	89.38%	18,010	98.47%

The following tables demonstrate that less than 1% of members earned commissions over $20,000, and only three or four members earned commission over $100,000.

Year	Active Members	Number of Active Member Commission > $20,000		Number of Active Member Commission > $100,000	
2009	1,516	3	0.20%	3	0.20%
2010	4,228	40	0.95%	4	0.09%
2011	17,645	56	0.32%	4	0.02%
2012	32,123	80	0.25%	4	0.01%
2013	35,938	31	0.09%	3	0.01%
Average	[redacted]	[redacted]	0.23%	[redacted]	0.02%

<u>Members who earned more than $100,000</u>

ID#	lastname	2009	2010	2011	2012	2013	Total
1501644	Babenko	103,322	279,855	284,096	215,256	123,440	1,005,968
1501163	Baschnagel	7,060	226,474	190,773	204,376	81,001	709,682
1501603	Hamilton	1,029,398	2,569,391	2,387,783	3,035,433	1,057,975	10,079,980
1500164	Trudeau	358,323	328,947	476,551	636,049	818,368	2,618,237
1508941	Ward[1]	-	85,105	108,926	89,382	24,769	308,182
Totals		1,498,103	3,489,771	3,448,128	4,180,495	2,105,552	14,722,049

Note: 1. Per company management, this is also Hamilton's account.

Company management told the Receiver that while commissions were accrued for Trudeau and Ms. Babenko, they were not paid. The Receiver has not yet confirmed this information.

The Receiver calculated the average commission paid by year, excluding the top three or four members who earned over $100,000. Compared to the initial enrollment fee, ranging from $1,000 to $25,000, and total membership dues of $1,800 ($150 per month), the member did not earn enough to recoup their monthly membership dues.

Year	Total Active Members	Commission < $100,000		Average Commission Earned
		Active Member	Amount Paid	
2009	1,516	1,513	$ 145,235.00	$ 95.99
2010	4,228	4,224	$ 2,983,177.00	$ 706.24
2011	17,645	17,641	$ 4,664,121.50	$ 264.39
2012	32,123	32,119	$ 5,945,009.20	$ 185.09
2013	35,938	35,935	$ 2,174,013.65	$ 60.50

Financial Obligations, Commitments, and Cash Flow difficulties

While examining the QuickBooks financial records and other records and documents of the Trudeau entities, and the membership records, the Receiver determined there are several large financial obligations owing to the members. The entities were locating and accumulating cash from all possible sources and directing the customer service division to continue a prearranged payment schedule for the Summer Sales Bonanza, and to make periodic payments, often weekly, for Lazy Man's refunds. The total of the two obligations was about $4.24 million. Additional details are below.

The Receiver also learned that Lee Kenny, the former executive director of the GIN Foundation, contracted in about May, 2013 for a January 2014 seven day charter of a cruise ship for 2,376 members and affiliates. When the Receiver was appointed, the remaining liability was about $2.56 million, with payments for the balance due by November 5, 2013. Additional details are below.

Additionally, the Receiver learned that training and other events organized for members and affiliates often required commitments to initially spend $600,000-$800,000 anticipating the event would be completed and the members' fees and deposits would cover the prepaid expenses. It is true that after an event was completed the cash receipts usually slightly exceeded or were slightly below the cash disbursements.

As described above, the Receiver organized a United States based processor to take over the credit card processing. However the new processor required and established a rolling reserve account of 25% of processing, increased from the prior reserve level of 10%. Additionally, as also described earlier, the prior processor also froze existing reserves and another account totaling about $1.5 million for six months, eliminating the monthly reserve distribution of about $200,000.

The Receiver also agreed with the new processor to establish first level fraud detection requirements, primarily address verification of the submitted credit card. Very soon the processing activities experienced high levels of initial card declines because of incorrect or

incomplete address information. Although the customer service staff began to work on correcting these mistakes, the volume of cash receipts declined significantly.

The combination of credit card processing reserves totaling 25% of receipts, an increased level of initial card declines, and no distributions from the existing reserve accounts required the Receiver to carefully conserve cash to first pay priority payments before using existing cash to pay prior obligations and future commitments. The priority payments included staff payroll and benefits, business premises rent, utilities, and insurance, commissions to members, and other member benefits.

The Receiver has initially determined that existing and expected cash receipts will be sufficient to pay priority payments, and to pay the remaining expenses of recently completed member and affiliate events. The Receiver and the staff are evaluating the rate of prepaid deposits and the rate of cancellations for the Family Reunion event scheduled for October 2013 in Washington DC. The level of deposits and cancellations will determine whether cash receipts will be sufficient to pay the expenses of the October event.

The Receiver has determined that there are not sufficient cash receipts at this time to make the remaining deposit payments for the January 2014 cruise and the cruise has been postponed indefinitely. The Receiver has also determined that payments on the delinquent remaining amounts due for the Summer Sales Bonanza program and the refunds that are due for the Lazy Man's program cannot be continued from the current cash receipts. The amounts due for these three obligations total $6.80 million.

Additional Details of Obligations and Commitments

Summer Sales Bonanza: The Receiver learned about this program that originated in July and August of 2010. Reportedly, Trudeau announced the program from the stage of a speaking event and created it extemporaneously without having discussed it with staff members.

Essentially, the program provided a substantial bonus to certain members. Members who paid monthly payments of $150 for 24 months, totaling $3,600, and attended one major quarterly event each 12 months, were promised to receive a cash bonus of $10,000. After being awarded a $10,000 bonus, a member could stop paying fees, become a non-paying affiliate, and still receive any remaining unpaid portion of the $10,000 bonus. The award winners could either receive the bonus payment in cash beginning September 2012, or leave it as credit to use it towards future upgrades, tools, or events.

After the 24th month, the organization claimed net cash receipts were insufficient to pay the promised bonuses. The Company negotiated with the members and agreed to provide an additional 20% bonus in exchange for an installment payment plan, with the first payment starting in March 2013. When the Receiver took control of the Trudeau entities after August 7, 2013 the remaining balance of this bonus program (after already completing payments of

$4.60 million) owing to members and affiliates totaled $2.77 million, payable over the next six months.

Lazy Man's Way to a Fortune: The Receiver learned about another program with distributed information stating that for a payment of between $500 to $1,000, the organization would place a member in a member's down line organization. The member would then be eligible to receive all residuals created by the new member in its down line.

The Receiver learned that after the company introduced and established the program it was unable to locate and place the promised new members in the down line organizations of the affiliates, and agreed to refund many of the Lazy Man's fees collected. The Receiver was informed by company management that many members elected to defer their refunds in hope the company could fulfill its promise. When the Receiver took control of the Trudeau entities after August 7, 2013 there were about 2,330 remaining refunds of Lazy Man's fees totaling $1.47 million.

January 2014 Cruise: The organization contracted in May, 2013 with the Norwegian Cruise Line for a January 2014 seven day ship charter for 2,376 members and affiliates. The cruise was designed and promoted as a benefit for the passengers. In 2013 and in prior years, more than 85% of the passengers qualified for free passage. The total cost of chartering the ship for seven days was $3.67 million payable in installments beginning at contract signing and continuing to November, 2013.

When the Receiver took control of the Trudeau entities after August 7, 2103 the organization had paid initial and continuing deposits totaling $1.1 million, leaving a remaining balance of $2.57 million. The contract required four remaining payments in August, September, October, and November 2013. The expected cash receipts from passengers would be less than $600,000. The Receiver has postponed the scheduled cruise until sufficient cash is available to pay for it.

Operating Expenses

Approximately $1.15 million of management fee expense was recorded on the books of GIN Foundation. This management fee was paid to and recorded as revenue under Website Solutions. The management fee revenue on Website Solutions was approximately $3.76 million, and the difference of $2.61 million as compared to the amount on GIN Foundation is primarily due to the fact that management fees paid in 2013 were not recorded on GIN Foundation.

Allocable and Billable Expenses are used to record the expenses allocated between the affiliated entities. From 2009 through current, Website Solutions allocated more than $7.5 million of expenses between the affiliated entities.

The consolidated financial statements show a large portion of the expenses was paid for membership events, including the Leadership Cruise, Royal Caribbean Cruise and other events. As recorded on the books, more than $7.5 million and $5.2 million were paid for the cruises and events from 2009 to current.

The consolidated financial statements also show significant amounts paid for payroll and professional fees during the same period, which are approximately $18.5 million and $10.6 million as recorded on the books.

Trudeau's Legal Defense Fund

The Receiver has analyzed the details of the Natural Cures Health Institute bank account. From July 26, 2013 through July 31, 2103 $33,128.28 was deposited to the account. This amount is comprised of 162 contributors with an average contribution of $204.50. Nine individuals contributed $1,000 or more, with the largest contribution being $5,000.

With this Court's approval, the Receiver believes these funds can be turned over to Winston & Strawn LLP.

The Receiver was notified by the merchant/depository bank that it would close the merchant account and the depository account effective September 2, 2013.

A former employee of Website Solutions was responsible for administering the logistics of the legal defense fund. The Receiver does not believe it would be an appropriate use of receivership funds to administer the legal defense fund going forward.

Other Matters

Under Exhibit 12 are documents that show an October 28, 2010 wire transfer for $378,143.00 from KT Radio Network Inc. to Raiffeisen Bank in Kiev. The documents show this wire transfer was to pay off a mortgage for the benefit of Ms. Babenko. The Receiver is investigating the basis of this transfer and evaluating potential legal remedies for recovering such amount from Ms. Babenko.

Respectfully submitted,

/s/

Robb Evans & Associates LLC
Receiver